Riot police battle austerity protesters in Greece

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Riot police clashed with tens of thousands of demonstrators in Greece's second-largest city Saturday night, as a huge protest took place against the austerity policies dictated by European banks and enforced by the social-democratic PASOK government.

The occasion was the annual address on economic policy delivered by Prime Minister George Papandreou in Thessaloniki. A crowd estimated at 25,000 poured into the city's streets, where they were attacked with tear gas and clubs.

The anti-government demonstration was called by the two biggest union confederations, the GSEE and ADEDY, whose leaders are PASOK members and supporters of Papandreou, but who nonetheless posture as opponents of the austerity policies.

Saturday's demonstration was spearheaded by several thousand taxi drivers, who began a nationwide strike Thursday against a government decision to open up licensing for taxis, thus devaluing the permits which they had saved up to purchase over the years.

Similar protests were begun by dentists, doctors and other independent professionals. Restaurant owners in the city closed their doors Saturday to protest a huge increase in the sales tax, known as a Value Added Tax. More than 7,000 police were mobilized in Thessaloniki ahead of Papandreou's speech, and they fought not only with the taxi drivers, but with students, public service workers, and fans of the local soccer club Iraklis, who all joined the protest rally after separate marches.

The police themselves engaged in an anti-austerity protest the previous day, joining with firefighters for a demonstration at the Thessaloniki city hall against salary cuts.

Garbage collectors, teachers and government office workers have announced plans for strike action.

In his speech Saturday evening, Papandreou reiterated his commitment to enforce the austerity measures demanded as a condition for loans to Greece from the European Union, the European Central Bank and the International Monetary Fund.

In an elaboration on his remarks the following day, he said Greece must defend itself "like being in a state of war," implying that military measures of repression and violence might be required.

The loans are aimed at bailing out not the Greek people, but rather the European banks that hold the bulk of Greece's international debt.

The impact of the austerity policies has already been felt in a collapse of the Greek economy. The country's statistics agency said Thursday that Gross Domestic Product in the second quarter of 2011 fell by 7.3 percent compared to the same period in 2010. The unemployment rate has jumped from 11.6 percent a year ago to 16 percent in June. Nearly 800,000 Greeks are officially unemployed, in a country with a population of only 10 million.

The Papandreou government's response to the latest protests was to impose further austerity measures. Finance Minister Evangelos Venizelos announced Sunday that since there was a shortfall in anticipated government revenues of €2 billion—a direct result of the austerity measures depressing economic activity—the government would impose a new property tax to cover the gap.

Venizelos said the new property tax would be imposed across the board on real estate, at a rate of €4 per square meter (about 50 US cents per square foot). This will have a devastating impact on small homeowners, particularly those who are retired and on fixed incomes.

He also warned that the economic contraction was actually accelerating, and the negative growth rate would be 5.3 percent for the whole of 2011.

Venizelos denounced reports in the international media that Greece was on the brink of defaulting on its debt. The German press has carried several such reports, and *The Observer*, a leading Sunday newspaper in Britain, reported that default could take place as early as this coming week.

Venizelos said the reports were “a bad game, pre-organized speculations, directed against the euro and the eurozone as a whole.”

European finance ministers were meeting with their G7 counterparts in Marseille Saturday, still unable to agree on the final details of a second €109 billion rescue package for Greece. The next installment of €8 billion is needed this week to allow Athens to make payments to bondholders.

A war of words has broken out between German officials and those of many other eurozone countries, who fear that a Greek default could explode the entire euro project.

The German vice chancellor, Philipp Roesler, who is also economy minister, wrote in the conservative daily *Die Welt* that planning for a Greek default and expulsion from the eurozone should be considered. He was responding to report in *Der Spiegel* that the German finance ministry was already working out such a scenario. Roesler wrote that an “orderly default” might be necessary.

Germany’s EU commissioner Günther Oettinger said Europe should send blue helmets (UN peacekeeping troops) to take control of Greek tax collection and liquidate state assets. This provoked headlines in the Greek press about the threat of a “Fourth Reich” in Europe, and comparing Germany’s financial policy to Hitler’s invasion of Greece during World War II.